



Department of Justice

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JUSTICE DEPARTMENT FILES LAWSUIT ALLEGING AUTO LENDING DISCRIMINATION IN LOS ANGELES

Alleges Bank and Two Automobile Dealers Discriminated Against non-Asian-Americans

WASHINGTON – The United States has filed a lawsuit alleging that a bank and two automobile dealerships in Los Angeles violated the Equal Credit Opportunity Act by charging non-Asian-American customers higher interest rate mark-ups for a period of at least two years, the Justice Department announced today. Nara Bank, one of the three defendants, has agreed to pay up to \$410,000 to resolve the allegations against it.

The department's complaint, filed in federal court in Los Angeles, alleges that Nara Bank and two dealerships, Union Mitsubishi and Han Kook Enterprises, charged higher dealer overages (aka interest rate markups) on car loan interest rates to non-Asian-American customers, many of whom were Latino, than to similarly-situated Asian-American customers. In the auto industry, it is common practice for banks and other lenders to set a base interest rate or "buy rate" and then for the auto dealership to "mark up" the interest rate to the final rate on the loan for the car. The complaints allege that the defendants charged non-Asian-American customers higher interest rate mark-ups than similarly situated Asian-American customers from at least 2004-2006.

The settlement between the Justice Department and Nara Bank is in the form of a partial consent decree filed in conjunction with the complaint. Under the agreement, which remains subject to court approval, Nara Bank is prohibited from discriminating on the basis of race or national origin in any aspect of its automobile lending. The case against Union Mitsubishi and Han Kook Enterprises has not been resolved.

"Every individual deserves the comfort of knowing they can pursue credit without fear of discrimination based on their race or national individual. Our nation's civil rights laws were created to combat this kind of discrimination," said Loretta King, Acting Assistant Attorney General for the Civil Rights Division. "The Civil Rights Division vigorously enforces federal

laws that prevent discrimination in credit and lending services. We commend Nara Bank for working cooperatively with the Justice Department in reaching an appropriate resolution.”

Nara Bank is not currently in, and has no plans to re-enter, the business of automobile lending. Under the partial consent decree, Nara Bank will pay up to \$410,000 to non-Asian-American customers who were charged higher overages or markups than similarly-situated Asian-American customers and will continue to invest at least \$100,000 per year in consumer financial education efforts. If Nara re-enters the business of consumer automobile lending, it will implement clear guidelines for dealer overages; monitor dealerships within its automobile lending network to ensure that all customers are treated equally in the terms of automobile loans; and enhance its existing fair lending training program.

This case resulted from a referral by the Federal Reserve Board. A copy of the complaint against Nara Bank, Union Mitsubishi and Han Kook Enterprises and the consent order between the United States and Nara Bank, as well as additional information about fair lending enforcement by the Justice Department, can be obtained from the Justice Department Web site at <http://www.usdoj.gov/fairhousing>.

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